Congress of the United States
House of Representatives
Washington, DC 20515

April 19, 2004

The Honorable Donald Rumsfeld
Secretary of Defense
1010 Defense Pentagon
Washington, D.C. 20301-1010

Dear Secretary Rumsfeld:

We have a number of questions regarding the funding of Operations Iraqi Freedom (OIF), Enduring Freedom (OEF), and Noble Eagle (ONE). In view of recent increases in operational tempo in Iraq, we have renewed concerns that the 2004 supplemental funds will be insufficient to carry the Department of Defense through the remainder of the fiscal year. We are also concerned with the Department's ability to execute operations in Iraq and Afghanistan while maintaining readiness in the event a supplemental is not approved until late in the second quarter of fiscal year 2005.

House and Senate conferees are in the midst of meetings this week to complete work on the FY 2005 Budget Resolution Conference Report. One of the most important issues facing conferees is the spending level needed to fund our operations in Iraq and Afghanistan. Your answers to the following questions on these issues will be most helpful as we move forward in the congressional budget process:

(1) According to the Congressional Research Service, we understand that the obligation rate, or "burn rate," for these operations has been about $5.5 billion per month ($4 billion for Iraq, $1 billion for Afghanistan, and $0.5 billion for enhanced security operations (Operation Noble Eagle)). Do you anticipate this rate to continue through the remainder of fiscal year 2004?

(2) DoD received $65 billion in supplemental funds for these operations in fiscal year 2004. To date, how much has the Department obligated? Is the unobligated balance sufficient to finance these operations for the remainder of the fiscal year, or does the Department anticipate the need to defer maintenance or training requirements to the next fiscal year to make ends meet? Please provide an updated monthly obligation forecast of fiscal year 2004 funds by operation and appropriation.

(3) The former DoD Comptroller, Dr. Dov Zakheim, stated on February 11 that in fiscal year 2003 the Department "cash-flowed" (i.e., borrowed from other accounts or funds reserved for the third and fourth quarters of the fiscal year) to pay for elevated operations until the Congress passed a supplemental appropriation. Dr. Zakheim maintained that, although DoD had to plan carefully that fiscal year to balance the demands of increased operations with routine requirements to maintain readiness, it was feasible and would be feasible again next fiscal year. We are concerned that fiscal year 2005 will be more tenuous than fiscal year 2003 because the Department may have to "cash-flow" greater amounts, assuming the current burn rate of $5.5 billion is sustained through the first half of next fiscal year. Additionally, we believe that the extra funds appropriated in the 2003 Omnibus Appropriations Act and unobligated balances from prior years may have partially mitigated the amount DoD needed to cash-flow in fiscal year 2003. That additional flexibility may not be available next fiscal year. Because funds from a 2005 supplemental appropriation could be available as late as April depending on when Congress approves the defense supplemental, what is the maximum amount you believe the Department can cash-flow over this period? To what extent will the Department have to borrow from third and fourth quarter funds and defer maintenance or training requirements to future months or years?

(4) What do you anticipate the cost of the anticipated 20,000 troop level increase in Iraq to be on a monthly basis? Does the 20,000-troop estimate include all the support troops needed, such as reservists backfilling deployed active duty personnel?

(5) The Department has made more than $2 billion worth of Working Capital Fund cash transfers and rate reductions to supplement DoD funding for Iraq and Afghanistan operations so far in this fiscal year. Do you anticipate any further transfers or rate reductions in fiscal year 2004? Do you anticipate the Department will be able to draw from Working Capital Fund cash or reduce rates in fiscal year 2005 to help finance these operations? What assumptions did the Department use in setting the Working Capital Fund rates in the 2005 budget? Did it assume peacetime workload or increased workload associated with Iraq and Afghanistan operations?

We would appreciate a prompt response and would welcome the opportunity to meet with your staff in order to understand better the answers to any of these questions.

Sincerely,

Ike Skelton

Rep. Ike Skelton
Ranking Member
House Armed Services Committee

John Spratt

Rep. John Spratt
Ranking Member
House Budget Committee

Identical letter sent to The Honorable Joshua B. Bolten

Congress of the United States
House of Representatives
Washington, DC 20515

April 19, 2004

The Honorable Joshua B. Bolten
Director
The Office of Management and Budget
725 17th Street, NW
Washington, D.C. 20503

Dear Director Bolten:

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We would appreciate a prompt response and would welcome the opportunity to meet with your staff in order to understand better the answers to any of these questions.

Sincerely,

Rep. Ike Skelton
Ranking Member
House Armed Services Committee

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